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October 22, 1975

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October 22, 1975

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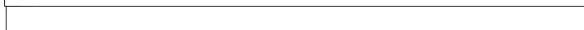
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SPAIN

General Francisco Franco lingered near death this morning; Spanish officials, including Prime Minister Arias, said last night they believe he has less than 24 hours to live.



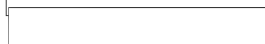
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Spanish government spokesmen continue to report that Franco is recovering, keeping from the public the gravity of Franco's illness as they did in 1974.

Franco's death--or complete incapacitation--will come at a time when the deep divisions within Spain are more evident than ever.

For the moment at least, the shock of the event--although certainly not unexpected--plus the Spanish sense of propriety and pride will probably overcome the divisions in the country sufficiently to permit the carefully planned transition to be effected largely as intended.

The succession law of 1969 stipulates that Prince Juan Carlos will become chief of state (king) within eight days after Franco dies or is declared incapacitated. In the interim, power will be assumed in Juan Carlos' name by a Regency Council composed of a senior member of parliament, a church official, and a military man.

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Juan Carlos also will inherit Franco's position as supreme commander of the armed forces, but in the king's case, exercise of this function is expected to be symbolic.

Juan Carlos will have neither the personal prestige nor the legal foundation to exercise the absolute power Franco has wielded for almost four decades. An annex to the Organic Law of 1967--one of seven Fundamental Laws which as a group comprise the constitution--prescribes that Franco's special powers will lapse with the implementation of the Law of Succession.

Unlike Franco, Juan Carlos must share power with others in the government, particularly the Prime Minister or "President of the Government."

The Organic Law states that all decisions of the head of state must be countersigned either by the Prime Minister, another minister whose office is involved in the decision, the president of the Cortes (the legislature), or the president of the Council of the Realm, a 17-member senior advisory body.

Despite such limitations, Juan Carlos will have more power than any other Western constitutional monarch.

The term of Prime Minister Arias does not expire until January 1979. [REDACTED]

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A Divided Establishment

A majority of highly placed Spaniards recognize that their society needs to be freer, but they are divided over how free it should be, and at what pace freedom should be introduced. Differences on these matters are spread unevenly over the main sectors of the Spanish establishment.

The church, for example, has been in the vanguard of those seeking to promote social and political change, so much so in fact that the Spanish episcopate barely qualifies any longer as part of the establishment.

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The great bulk of the officer corps is conservative; a small percentage is ultraconservative. Most reports portray the military as interested primarily in maintaining order. There are indications, however, that some junior officers are talking more openly than heretofore about the merits of a sound democratic system.

Organized political activity within the military is banned, but [redacted] junior officers who favor rapid liberal social change for Spain and are interested in the Portuguese example.

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Spanish political figures, who make up another important segment of the establishment, have had very little experience in organizing in such a way as to appeal to a constituency. They have concentrated on developing close ties to Franco, the source of all power.

Politics have been changing slowly since the authorization of political associations (quasi-parties) in January 1975. Two of the more significant associations are the Spanish Democratic Union, a moderate Catholic-oriented group under former cabinet minister Federico Silva Munoz, and the Union of Spanish People, a rightist group under the head of Franco's National Movement, Jose Solis Ruiz.

All members of the establishment, including bureaucrats, financiers, and industrialists, will want to maintain their privileges. They will all cooperate, therefore, with Juan Carlos and Arias to arrange an orderly transition.

Such people will soon disagree over what parts of Franco's system should be preserved and what should be liberalized. Their disagreements may make it easier for the illegal opposition to enter politics openly. The various political groups that make up the illegal opposition are more interested in dismantling Franco's system than in altering it.

The Illegal Opposition

The absence of free political activity--elections, rallies, mass meetings--makes it difficult to estimate popular support for the parties that have existed illegally. It is apparent that

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they have some appeal among Spanish youth, intellectuals, and workers. It is also clear that the parties are divided. There are, for example, two national and three regional Christian Democratic parties and at least three rival Socialist parties.

The Spanish Communist Party, in organizational terms if not in numbers, is the strongest party in the illegal opposition. It exercises considerable influence in the labor movement because of its control of the Workers' Commissions. It has support in the universities and is said to have good connections in the media.

The Communists have tried without much success to form a popular front of political parties, but they probably will renew their efforts.

The Spanish Communist Party has been led for many years by Santiago Carrillo, who makes his headquarters in Paris. He has maintained considerable independence from Moscow and, like the Italian Communists, strongly criticized the Soviet invasion of Czechoslovakia.

These positions have caused considerable hostility between Carrillo and his Portuguese counterparts, who have always supported Moscow's policies.

Regionalism

It is reasonable to assume that pressures for regional self-rule will rise in the post-Franco period. The Basque people, who occupy four provinces in the north, and the Catalan, who live in four provinces in the northeast, will press hard for a greater voice in running their own affairs.

The populations of both areas feel discriminated against culturally and economically, but this sentiment is especially strong--and better organized--in the Basque country.

Most Basques would be satisfied with greater autonomy rather than a complete break with Madrid. The Basque terrorist organization wants immediate and complete independence from Madrid, and it has used and will continue to use violence to achieve this goal.

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Basque terrorists, together with members of the Antifascist Patriotic Revolutionary Front who are committed to the violent overthrow of the government, will be as serious a problem for Juan Carlos as they were for Franco during the last days of his rule.

Foreign Relations

Although Spanish officials will be concerned primarily with the orderly transfer of power and the domestic effects of Franco's death, Spain's foreign relations cannot be ignored for even a short period of time.

Madrid, for example, must still complete negotiations on the future of US bases in the country. Some Spaniards may be tempted to hold out for terms more advantageous to Spain, but the majority will not want to alienate the US at such a time.

Franco's death probably will not change Madrid's decision to withdraw from Spanish Sahara peacefully, if it can. Spanish officials probably will reinforce this point with Rabat to avoid any rash action on the part of these Moroccans who believe that Spain is preoccupied with the transfer of power.

Madrid's effort to pursue closer ties with Western Europe, which was set back sharply by the recent anti-Franco demonstrations abroad, is likely to meet with greater success. Most of Europe will be anxious to give Spain's new leaders a chance.

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SYRIA-ISRAEL

Syria has made several military moves that appear to be aimed at raising tension in connection with the renewal of the UN observer force mandate on the Golan Heights.

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[REDACTED] Late last week, [REDACTED]

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[REDACTED] seeing large numbers of Syrian troops moving from north of Damascus to an area about 25 miles south of the capital. Some of these movements may have been units returning to home bases from the Iraqi border, but those observed south of Damascus may have indicated an adjustment of forces on the Golan front.

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The Syrians almost certainly are trying to increase tension on the Golan Heights, but it is also possible that the reported troop movements could be part of Syrian preparations for a limited operation to seize and hold a portion of Israeli territory along the disengagement line. A local news correspondent told the US embassy in Damascus last week-end that such an operation is in the works.

Whether posturing for effect or preparing for an operation, the Syrians can be expected to take certain steps such as holding military exercises near the front and calling up some reservists. The proximity of their forces to the disengagement line means there would be very little warning if the Syrians decided to launch an attack after such initial preparations.

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Despite Tel Aviv's low-key reaction to the Syrian moves, it may have instructed Israeli forces on the Golan to adopt a more aggressive posture to signal Damascus that it is fully alert to the possibility of renewed fighting. [redacted]

[redacted] yesterday that Israeli forces have initiated a number of minor but provocative incidents in the vicinity of the disengagement line during the past few weeks.

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In one such incident Israeli soldiers in an armored personnel carrier sprayed the UN buffer zone with heavy machine-gun fire. [redacted]

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[redacted] the two Syrian shepherds who were killed by Israeli troops last week were in the UN buffer zone when they were shot.

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The potential for future incidents in this area is high because [redacted] the Israelis dispute the disengagement line there with the UN and the Syrians.

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LEBANON

Violence continued in Beirut yesterday. All roads were declared unsafe because both sides were using mobile roadblocks in order to kidnap members of the opposition.

Ambassador Godley reported this morning that two US Information Agency employees were kidnaped at a roadblock on their way to work.

Efforts to find a political solution to the crisis seem to be faltering. Phalangist leader Jumayyil has threatened to pull his right-wing organization out of the National Dialogue Committee, charging that attacks on Christian areas of Beirut were attempts to pressure the Christians into making concessions to the Muslims. Meanwhile, Saib Salam, a former prime minister and a moderate Muslim leader, has warned that if reforms are not forthcoming, "the whole system will be swept away."

Kamal Jumblatt and other Lebanese leftists met in Damascus yesterday with Palestine Liberation Organization leader Arafat, Saïqa chief Zuhayr Muhsin, and the leader of the Popular Democratic Front for the Liberation of Palestine, Nayif Hawatmah. They were reported to have discussed the Phalangist efforts to "internationalize" the conflict. Jumblatt also was scheduled to meet with Syrian President Asad.

The continued fighting is rapidly causing Beirut to lose its status, at least temporarily, as the regional business center of the Middle East. Some firms have already pulled up stakes--McDonnell Douglas has relocated in Rome, and the Bechtel Corporation has moved its regional headquarters to Kuwait. Other foreign business and financial companies, including Bank of America, First National City Bank, and General Motors, have temporarily evacuated employees and their families, in most cases to Athens. No major firms, to our knowledge, are currently operating out of Beirut at full strength.

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A definitive cessation of hostilities probably would bring back most of the evacuated firms inasmuch as there is no presently viable alternative to the Lebanese capital as a regional center. Athens is too far from the Middle East, and Cairo's facilities are already overtaxed and over-bureaucratized. While Jordan, Kuwait, and other Gulf states would like to replace Beirut as a regional center, none yet can match its communication network, highly trained work force, and housing and educational facilities.

On the other hand, prolonged fighting in Lebanon will increase the chances that many firms will disperse their Mideast activities. Some companies reportedly are considering controlling operations from outside the region. Supersonic airline service between Western Europe and Middle East, together with rapidly improving infrastructure in much of the Gulf region where most of the lucrative markets are located, may eventually make it feasible to bypass Beirut altogether.

The impact of such a shift from Beirut would be disastrous for Lebanon. Already physical destruction and lost tourist and trade earnings are estimated at as much as \$3.5 billion--nearly a full year's gross national product. The longer term loss of earnings from financial services, transit fees, and other commercial services would turn Lebanon's traditional trade surpluses into chronic deficits. Fully two thirds of the country's gross national product is drawn from the services account, primarily banking, commerce, and tourism, centered in Beirut.

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PORTUGAL

The government and its communist and far-left antagonists appear to be bolstering their own positions in preparation for new tests of strength that could come later this week.

On Monday the government announced that it had removed four district governors. The location of the posts, one in each of the country's four military regions, suggests that the government may be warning its opponents that it is prepared to exercise its authority in whatever part of the country it is challenged. This also is the first step in fulfilling a promise made earlier by Prime Minister Azevedo that leftist local administrators who seized office after last year's coup would be replaced. The new governors, who will undoubtedly reflect the views of the government, have not yet been named.

The government also took another step on Monday to lessen the hold of the communists on the media. Libel proceedings were instituted against a Lisbon paper controlled by pro-communist workers following an editorial attack on General Melo Egidio, head of the new military intervention force which has been set up to curb military indiscipline and maintain public order. Control of the media is critical at this stage because news reports appear to have aided key opposition groups by exaggerating their strength and importance.

In addition to the attack on General Melo Egidio, the opposition continues to criticize the commander of the Northern Military Region, General Pires Veloso. The general, whose attempts to maintain military discipline in his command have made him the focal point of anti-government demonstrations, has been accused of trying to undermine a compromise reached last week between rebellious troops in the north and army Chief of Staff Fabiao. The opposition's accusations could actually have some basis in fact, in light of reports that the government is displeased with Fabiao's compromise measures and that the army chief may soon be replaced.

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As positions continue to harden, pro-government military figures have begun to criticize the opposition more openly. Captain Vasco Lourenco, a key member of the Revolutionary Council, has put the blame for insubordination in the military squarely on the communists and the far left. Colonel Jaime Neves, commander of the crack commando regiment which will form the backbone of the new security force, has referred to an opposition plot that he said would surely lead to armed confrontation.

The chances for such a confrontation will increase later this week when several important deadlines occur. [REDACTED]

[REDACTED] The findings of an inquiry into recent incidents of violence in Porto will be made known on Friday, and Saturday is the deadline set by Costa Gomes for turning in arms held illegally throughout the country. According to press reports, the security forces said yesterday that not a single weapon had been surrendered in response to the appeal, which was issued four days ago.

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VIETNAM

The Vietnamese communists are attempting to exploit the 1,600 refugees now en route from Guam to Vietnam as an issue with which to embarrass Washington over its alleged mistreatment of refugees in the US.

The main thrust of communist propaganda is that the US "tricked" thousands of Vietnamese into exile by "raising the scare of a bloodbath." Hanoi and Saigon claim that Washington has now been obliged to accept the "legitimate demand" of the Guam refugees to return home. The communists complain, however, that the US has denied its responsibility for the "crime" of creating the refugee problem and has decided unilaterally to return the 1,600 Vietnamese without obtaining "authorization" from the Saigon authorities.

The principal motive of the communists probably is to "settle accounts" with the US over the massive exodus of refugees last April that outraged and embarrassed the Hanoi leadership.

The claim that this US unilateral action "violates Vietnam's sovereignty" raises the possibility that Saigon will refuse to allow the refugees to disembark unless the US acknowledges its "responsibility" for all the refugees and agrees to general arrangements for future repatriation. The communists appear to be making the case that many others now living in US "concentration camps" will request repatriation. Despite their denunciation of the "unilateral" action of the US, the Vietnamese communists thus far have stopped short of any call for direct talks between Saigon and the US on the refugee question. They may nonetheless be tempted to do just this, reasoning that considerable propaganda advantage could be derived from a US refusal to deal with Saigon.

The communists' apparent determination to bring the entire refugee question to a head was reflected in their warning to UN Secretary General Waldheim on October 19 that they reject the US decision to return the refugees from Guam and that they will not be responsible for anything that might happen.

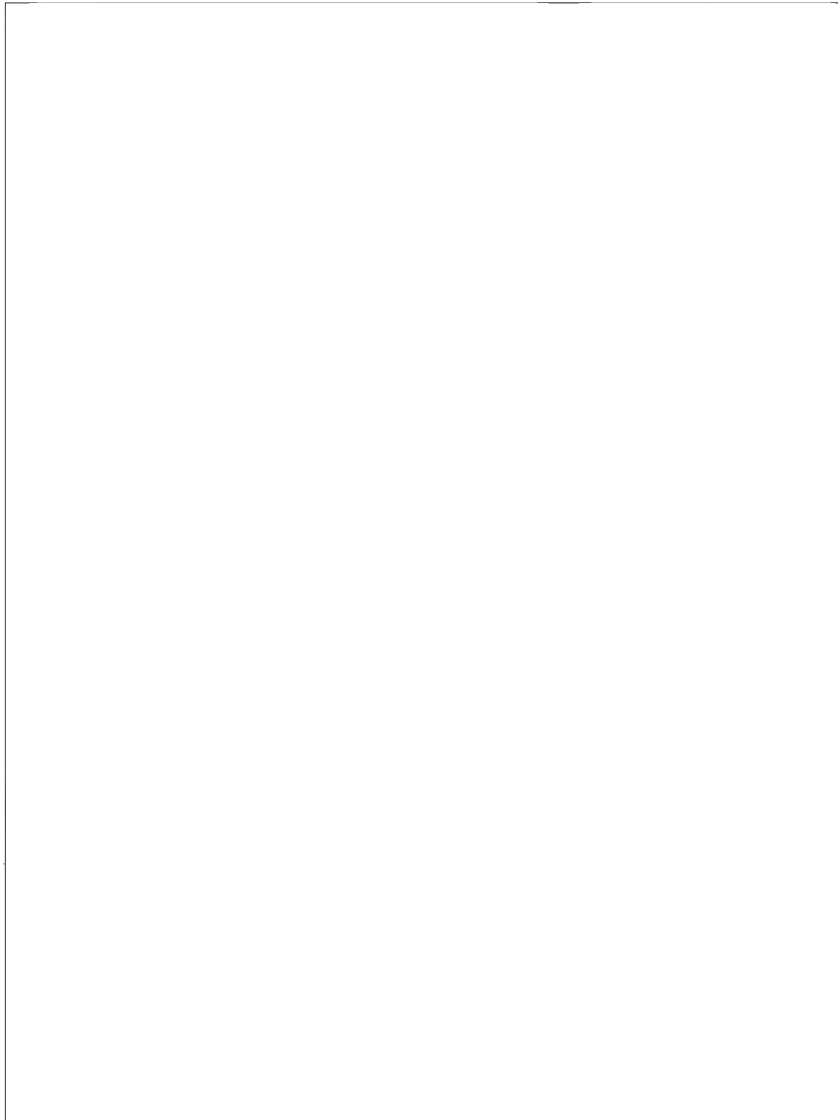
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In what may be an attempt to contrast the alleged irresponsibility of the US and its disregard of the refugees' welfare with communist generosity and good will, Hanoi announced on Monday that the Provisional Revolutionary Government in Saigon will release Americans and other foreigners who have been denied permission to leave South Vietnam since the communist victory last April. Hanoi stated that the UN High Commissioner for Refugees has agreed to assist this repatriation, which "may be carried out in late October or early November."

The timing of the release, however, raises the possibility that Hanoi will make the departure of the Americans and other foreigners conditional on a "satisfactory" US acknowledgment of its responsibility for resolving the general Vietnamese refugee problem.

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YUGOSLAVIA

President Tito may soon move decisively against his domestic opponents, with pro-Soviet, Stalinist elements as his principal target.

Widespread rumors in Belgrade claim that a major show trial of so-called Cominformists will take place in the near future. An East European diplomat has told our embassy that one or two "prominent personalities" are to be arrested for Cominformist activities.

[redacted] Tito ordered the internal security network last August to prepare specific proposals for an extensive suppression of dissidence. With the recent examples of Portugal and Spain presumably in mind, the President may well be determined to clear the slate, before it is too late, of those regime opponents hovering on the fringe of outright opposition.

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In addition to Stalinist subversives--12 more of whom have reportedly been arrested--the likely candidates for arrest include supporters of Tito's former heir-apparent, Aleksandr Rankovic, and possibly a sprinkling of pro-Western liberals like Milovan Djilas. The pro-Western dissidents would be included in the sweep for both domestic and foreign reasons. At home, Tito does not want any moves against Stalinists to raise the hopes of the liberal reformers he sacked during 1972 and 1973. Externally, Belgrade presumably wants to avoid any serious deterioration in already strained relations with Moscow.

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Discussion of New York's financial plight dominated the meeting of central bankers at the Bank for International Settlements last week.

The Europeans expressed concern that New York's problems may cause severe difficulties for the international banking community and may erode foreign confidence in US financial stability. Foreign central bankers are concerned that a loss of confidence in New York's notes would spread to other US municipal issues and cause a decline of foreign confidence in US Treasury issues. They lamented the potential impact of the city's plight on the solvency of US banks and the stability of the US financial market. The Europeans cited the New York problem as one cause of the dollar's recent weakness.

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Israel is planning to conduct local elections in the occupied West Bank starting next week and possibly in the Gaza Strip early next year.

The Israelis probably hope the elections will buttress their case against claims by the Arab states that the Palestine Liberation Organization represents the Palestinians. Israel contends that the elected leadership on the West Bank is more representative of the Palestinians, perhaps with an eye to the possible participation of West Bankers in peace negotiation. Jordan has never recognized the validity of West Bank elections held under the Israeli occupation, contending they are the illegal acts of an occupying power. Egypt undoubtedly will object on the same grounds if the Israelis call for elections in the Gaza Strip.

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